

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

**IN THE MATTER OF THE APPLICATION OF)
CHESAPEAKE UTILITIES CORPORATION)
FOR APPROVAL OF A CHANGE IN ITS GAS) PSC DOCKET NO. 17-1021
SALES SERVICE RATES (“GSR”) TO BE)
EFFECTIVE NOVEMBER 1, 2017)
(FILED SEPTEMBER 1, 2017))**

**DIRECT TESTIMONY OF
JASON R. SMITH
ON BEHALF OF THE STAFF OF THE
DELAWARE PUBLIC SERVICE COMMISSION**

FEBRUARY 28, 2018

1 **Q. Please state your name and business address.**

2 A. My name is Jason R. Smith, and my business address is 861 Silver Lake Boulevard,
3 Cannon Building, Suite 100, Dover, Delaware 19904.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by the Delaware Public Service Commission (the “Commission”) as a
6 Public Utility Analyst III.

7 **Q. How long have you been employed by the Delaware Public Service Commission?**

8 A. I have been employed by the Commission since April of 2010.

9 **Q. What is your educational background?**

10 A. I graduated with an Associate of Applied Science Degree in Computer Information
11 Technology with emphasis in Microcomputer & Networking from Delaware Technical
12 and Community College in 2005. In 2008, I received a Bachelor of Science Degree in
13 General Studies from Wilmington University. And in 2016, I graduated with a Masters
14 of Business Administration from the same institution.

15 **Q. Briefly describe your duties and responsibilities with the Commission.**

16 A. Apart from being the case manager for this proceeding, I examine monthly, quarterly, and
17 annual reports for Chesapeake Utilities Corporation – Delaware Division (“Chesapeake”
18 or the “Company”). This includes the examination of all monthly over/under collection
19 reports, monthly financial statements and summary trial balance reports, quarterly gas
20 hedging reports, quarterly rate of return reports, annual supply plans, and main extension

1 filings. I also have typically served as the case manager for a number of various types of
2 filings made by Chesapeake since 2012.

3 My other duties and responsibilities with the Commission include serving as a case
4 manager or team member to perform reviews of various utility applications such as rate
5 case filings, stock and debt issuances, or requests for tariff revisions. Additionally, I
6 prepare reports and other schedules in other proceedings, make written recommendations
7 to the Commission, and perform other related tasks as assigned. In conjunction with my
8 work in rate case filings, I participate in the planning and execution of the required audits
9 of regulated companies, including performing a review of supporting documentation at
10 utilities' offices to evaluate and make recommendations regarding the financial and
11 managerial condition of those utility companies.

12 **Q. What is the purpose of your testimony in this proceeding?**

13 A. I was assigned as Case Manager to review Chesapeake's Application for a Change in Its
14 Annual Gas Sales Service Rates (the "Application") to ensure that the proposed rates are
15 just and reasonable and that they comply with Chesapeake's tariff. I have examined
16 Chesapeake's Application, including the testimonies and schedules; Chesapeake's
17 responses to Staff and the Division of the Public Advocate's ("DPA") data requests; prior
18 GSR dockets, orders, prior settlement agreements; and Chesapeake's quarterly hedging
19 reports and the Long-Term Supply and Demand Strategic Plan ("Supply Plan") for the
20 period 2017/2018 through 2021/2022. My testimony will include a recommendation to
21 the Commission regarding the treatment of this Application.

1 **Q. Please identify other analysis performed on behalf of Staff as part of this**
2 **proceeding.**

3 A. Mr. Jerome D. Mierzwa, Vice President of Exeter Associates, Inc., was retained to
4 review forecasting demand requirements, seasonal and design day capacity, lost and
5 unaccounted-for gas, overall gas procurement and hedging purchasing practices, and the
6 management of the Company's gas supply as part of this proceeding. Mr. Mierzwa will
7 also be submitting direct testimony detailing his findings and recommendations regarding
8 the treatment of this Application.

9 **Q. How is your direct testimony organized?**

10 A. My direct testimony is presented as follows:

11 I. Summary of the Company's Application and Staff's recommendation
12 related to the approval of the gas sales rates and firm balancing rates
13 proposed by the Company; and

14 II. A review of the Company's compliance with Order No. 9058 in Docket
15 No. 16-0908, which the Commission issued at the conclusion of last year's
16 GSR proceeding.

1 **I. Summary of the Company's Application**

2 **Q. Please provide a brief summary of the Company's Application.**

3 A. On September 1, 2017, Chesapeake filed the Application with proposed changes in its
4 Gas Sales Service Rate ("GSR") as follows:

- 5 • to increase its GSR for customers taking service under rate schedules RS-1, ERS-
6 1, RS-2, ERS-2, GS, EGS, MVS, EMVS, and LVS from \$0.818 per Ccf to \$1.023
7 per Ccf; and
- 8 • to increase its GSR for customers taking service under rate schedules GLR and
9 GLO from \$0.360 per Ccf to \$0.468 per Ccf; and
- 10 • to increase its GSR for customers taking service under rate schedule HLFS from
11 \$0.628 per Ccf to \$0.782 per Ccf; and
- 12 • to increase its firm balancing rate for transportation customers taking service
13 under rate schedule GS and EGS from \$0.076 per Ccf to \$0.093 per Ccf; and
- 14 • to increase its firm balancing rate for transportation customers taking service
15 under rate schedule MVS and EMVS from \$0.100 per Ccf to \$0.111 per Ccf; and
- 16 • to decrease its firm balancing rate for transportation customers taking service
17 under rate schedule LVS from \$0.089 per Ccf to \$0.084 per Ccf; and
- 18 • to decrease its firm balancing rate for transportation customers taking service
19 under rate schedule HLFS from \$0.017 per Ccf to \$0.014 per Ccf; and
- 20 • to decrease its interruptible balancing rate for transportation customers taking
21 service under rate schedule ITS from \$0.012 per Ccf to \$0.011 per Ccf.

1 As authorized by Order No. 9119 (September 28, 2017), these rates went into effect on a
2 temporary basis, subject to refund and pending further review and a final decision by the
3 Commission, for gas service usage on and after November 1, 2017.

4 **Q. Were there any subsequent revisions to the GSR?**

5 A. Yes. After reviewing the initial application and accompanying schedules it was
6 discovered that there were a few schedules that contained labeling errors which made the
7 schedules confusing. The Division of the Public Advocate and Commission Staff
8 contacted the Company on October 16, 2017 to request revised Schedules C.1, C.2, and
9 F. As a result, the Company submitted those amended schedules on October 24, 2017.
10 Since the schedules only contained labeling errors, the revised schedules did not alter the
11 calculations that the Company originally filed.

12 **Q. What impact will this proposed GSR Application have on an average residential**
13 **heating customer as compared to the last GSR filing?**

14 A. When compared to the rates that were previously in effect, a typical residential heating
15 customer that uses 120 Ccf per month during the winter heating season will experience an
16 increase of approximately 17.38%, or \$24.60 per winter month. An average residential
17 customer using 700 Ccf per year will experience an annual increase of approximately
18 15.13%, or \$11.96, per month depending on their usage characteristics.

19 **Q. Did you review the schedules and calculations contained in the Application for**
20 **accuracy and conformance with the Company's existing GSR tariff?**

21 A. Yes, pursuant to 26 Del. C. §303(b), the Company has complied with and met the filing
22 requirements needed to allow it to implement the proposed rates. I have also reviewed

1 and verified the mathematical accuracy of the schedules and calculations provided in the
2 Application and determined that they conform to the Company's GSR tariff.

3 **Q. Does Staff have any recommendation related to the GSR and firm balancing rates**
4 **requested by the Company as part of its September 1, 2017 Application?**

5 A. Yes. Staff has reviewed the Company's original Application including the supporting
6 schedules. Based on that review, as well as the responses and documentation provided
7 during discovery, Staff recommends that the Commission approve the GSR and firm
8 balancing rates as submitted by the Company, along with the modifications of the
9 balancing charge calculations, as well as other recommendations contained in the direct
10 testimony of Mr. Jerome D. Mierzwa. Staff finds that the rates are just and reasonable
11 and are in the public interest.

1 **II. Review of Compliance with PSC Docket No. 16-0908**

2 **Q. Please summarize the provisions of PSC Order No. 9058 (May 9, 2017), which the**
3 **Commission issued at the conclusion of last year’s GSR proceeding (PSC Docket No.**
4 **16-0908), as well as your understanding of the Company’s compliance with those**
5 **provisions.**

6 **A. PSC Order No. 9058 approved Chesapeake’s proposed GSR and Firm Balancing Rates as**
7 **final. The Commission also ordered that the Company continue to comply with**
8 **Paragraphs 8, 9, 14, and 15 of the settlement agreement approved in PSC Docket No. 15-**
9 **1362 and approved by Order No. 8924 (August 9, 2016) (the “15-1362 Order”). More**
10 **specifically, Paragraphs 8, 9, 14, and 15 contained in both Order No. 9058 and the 15-**
11 **1362 Order are as follows:**

12 **Paragraph 8.** The Company should continue to
13 monitor the level of its over/under collection balance to
14 determine whether a change in the methodology used to
15 calculate its GSR rate is necessary. The Company should
16 hold quarterly discussions with the Staff and DPA, at their
17 request, for the purpose of review[ing] the Company’s
18 over/under collection balances, hedging program, and other
19 areas of interest to the Settling Parties, such as what
20 measure could be implemented in the Company’s annual
21 GSR filing to reduce volatility of GSR rates caused by the
22 amortization of gas cost over-and-under collections.

23 **Paragraph 9.** The Company should continue to
24 utilize its annual Supply Plan as a mechanism by which to
25 notify the Settling Parties of the need for all new capacity
26 additions. When the Company needs to acquire capacity
27 that was previously identified in its most recent Supply
28 Plan, the Company should provide the information agreed
29 to in the Settlement Agreements in PSC Docket Nos. 08-
30 296F and 09-398F regarding Eastern Shore Natural Gas
31 Company (“ESNG”) capacity acquisitions and to continue
32 to provide this information for potential upstream capacity
33 additions as well. The Company should provide this

1 information for both ESNG and upstream capacity on a
2 confidential basis only. The Company should continue to
3 review its design day forecasting methodology each year at
4 the time the Supply Plan is developed to ensure its validity.
5 The Company should also review and comment on any
6 alternative design day forecasting methodology proposals
7 submitted by either Staff or the DPA during the course of
8 any review of the Company's Supply Plan.

9 **Paragraph 14.** Chesapeake should continue to provide
10 Staff and DPA with periodic updates regarding any
11 intervention by the Company in Federal Energy Regulatory
12 Commission ("FERC") proceedings and actions taken by
13 the Company on behalf of the Company's ratepayers,
14 including, but not limited to, an enumeration of each issue
15 and the position that the Company is actively pursuing.
16 The Company should provide such periodic updates to
17 Staff and DPA subject to the Company's ability to provide
18 this information on a confidential basis when appropriate.

19 **Paragraph 15.** As agreed in prior dockets, the Company
20 should continue with the following practices: (a) the
21 Company will notify Staff and the DPA of any supplier
22 refunds that may impact the GSR charges; (b) the Company
23 should continue to include in future GSR applications an
24 update on steps taken to mitigate the effects of changes in
25 gas costs; (c) the Company should provide information on
26 the total sales volumes, costs, and margins by month for
27 Interruptible Gas Transportation sales as part of its GSR
28 applications; and (f) the Company will calculate the impact
29 on its proposed GSR rates had a thirty-year average degree
30 days been used and provide such information as part of the
31 discovery process, when and if requested.

32 To date, Staff is not aware of any failures by the Company to comply with the above
33 mentioned provisions of various notifications and practices to Staff and the DPA. Thus,
34 Staff believes that the Company has continued to comply with provisions of PSC Order
35 No. 9058 and the 15-132 Order.

36 **Q. Do you have any additional matters to address?**

37 **A.** No.

1 **Q.** **Does this conclude your testimony in this proceeding?**

2 **A.** **Yes.**